OUTCOME GOAL 2.2 - PROTECT WORKER BENEFITS

Overview

DOL improves the lives of America's working families through the administration of programs dealing with unemployment insurance, expansion of private pension coverage, protection of Federal workers from the effects of work-related injuries, payment of locally prevailing wages on Federal construction projects, and timely and uninterrupted payment of pension benefits.

Serving the Public

DOL's role in protecting worker benefits arose in response to specific concerns about the well-being of American workers and their families. The Department's Employment and Training Administration, Pension and Welfare Benefits Administration, Employment Standards Administration, and the Pension Benefit Guaranty Corporation are responsible for administering DOL programs that safeguard the economic security of the Nation's workers and retirees.

- The Social Security Act of 1935 authorized the creation of the Unemployment Insurance program to alleviate personal hardship due to involuntary unemployment and to stabilize the economy by ensuring that workers who lost their jobs had a temporary means of support.
- In 1963, over 4,000 workers with vested pension rights lost some or all of their pensions when Studebaker stopped producing automobiles and closed its plants. This experience and similar stories of losses in the private pension system became the major impetus for pension reform through enactment of the Employee Retirement Income Security Act of 1974. Under this legislation, the retirement incomes of about 43 million American workers -- one of every three working persons -- is currently insured.
- The Federal Employees' Compensation program has been protecting Federal workers from the effects of work-related injuries since President Wilson signed the first comprehensive law in 1916, to minimize the human, social and financial costs of job-related injuries.
- The Davis-Bacon Act ensures that Federal contracting practices do not undercut workers' wages in local communities and do not place local contractors and workers in an unfair competitive situation. This is achieved primarily by requiring the payment of locally prevailing wages on Federally financed construction projects.

Challenges

The protection of employee benefits systems is vital to both America's workers and the National economy. Americans are living and working longer and will be dependent on pension and health care benefits for longer periods of time. The worker who spends an entire career with one company is now the exception rather than the rule. Given these trends, DOL anticipates an even greater emphasis in the future on pension and health care benefits that provide the flexibility and coverage that American workers deserve. Educating workers about their benefits, as well as about targeted issues such as retirement planning, also offers significant challenges for DOL. From an administrative perspective, the Department will face continuing challenges to more effectively use information technology to enhance the quality of services while containing the costs of benefit programs.

PAY UNEMPLOYMENT INSURANCE CLAIMS FAIRLY AND PROMPTLY

Goal 2.2A: Unemployed workers receive fair Unemployment Insurance benefit eligibility determinations and timely benefit payments.

Results: The goal was substantially achieved. Twenty-three States met the quality indicator against a target of 24 States. Forty-seven States achieved the timeliness indicator against a target of 47 States.

Program Description: By temporarily replacing part of lost wage income, Unemployment Insurance (UI) is the first economic line of defense for workers who lose their jobs generally through no fault of their own. Authorized by the Social Security Act of 1935, UI was created to alleviate personal and family hardship due to involuntary unemployment and to stabilize the economy. Criteria have been established to provide a means of judging whether eligibility was determined fairly and whether workers received their UI benefits on schedule (the latter is a Secretary's Standard in regulation).

Analysis of Results: In FY 2000, the States showed definite progress toward improving the quality of benefit adjudication determinations. A criterion that 75 percent of eligibility determination cases reviewed must have a passing score for a State to be minimally successful was set in July 1999, to take effect in FY 2002. In view of changes tightening the underlying review process and States' performance under it, and States' focus on cost-saving efforts such as telephone claims-taking, the Department realized that many States would not meet the criterion until 2002 and some even later. The goal for FY 2000 was for 24 States to achieve the standard. (See chart below.) Twenty-three States succeeded, and 6 additional States came very close with 72 percent or higher of their reviewed cases achieving a passing score.

Benefits Eligibility Determination Quality

Fiscal Year	Goal	States Meeting Target	U.S. Average*
1998	No criterion	18	70.4%
1999	No criterion	20	70.3%
2000	24	23	70.3%

*Average State percentage of cases with acceptable quality scores.

The number of States meeting the first payment timeliness standard for intrastate payments rose and overall performance is quite good; however, the erosion of average timeliness from 1996 to 2000 is of some concern (see chart above). It reflects performance declines in a few larger States, due in part to the tightening of the labor market (resulting in a higher percentage of claims with eligibility issues, e.g., the reasons for separation from work, which require time-consuming adjudication), and in part to the transition to telephone claims-taking systems. However, the Department is encouraged at the improvement from 1998 through 2000 and expects further improvement as States complete corrective action plans.

Strategies: In FY 1999, a new performance planning and budgeting system was instituted with instructions to the States including performance measures and minimum performance criteria. The new system has States develop corrective action plans for each missed criterion, and emphasizes continuous improvement and joint DOL-State cooperation. Thirty-four States adopted the new system in FY 2000, and all will use it in FY 2001. In a related effort, the Department conducted four training sessions on various aspects of the adjudication process during FY 2000 to assist the States. The training will continue in FY 2001, and the Department will also host a national conference on nonmonetary adjudications.

Goal Assessment: The performance indicators for this goal will continue to address quality and timeliness as dimensions of measurement, but with higher results targeted for FY 2001. ■

First Payment Timeliness

Fiscal Year	Goal	States Meeting Standard	U.S. Average*
1996	Goal not set	49	92.8%
1997	Goal not set	47	92.2%
1998	Goal not set	45	90.4%
1999	Goal not set	46	89.6%
2000	47	47	89.9%

*Percentage of all U.S. first payments made within 14/21days.

EXPAND PENSION COVERAGE, PARTICULARLY AMONG WOMEN, MINORITIES, AND SMALL BUSINESS WORKERS

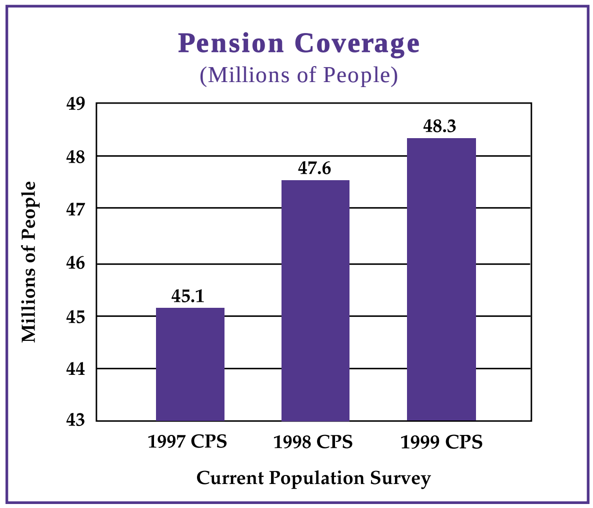
[1]**Goal 2.2C: Increase by 1 percent the number of workers who are covered by a pension plan sponsored by their employer, particularly women, minorities, and workers in small businesses.**

Results: The results exceeded the goal. The number of private wage and salary workers in pension programs increased by 2 percent from 47.6 million in 1998 to 48.3 million in FY 1999. With respect to those groups where pension coverage has been historically lower, the increase among women was two percent, among minorities five percent, and among workers in small businesses six percent.

Program Description: Improving the financial security of Americans during their retirement years is a Departmental priority. Expanding pension coverage to those Americans who have historically experienced low pension coverage is of particular concern.

Analysis of Results: The data indicate that the Department was successful in achieving a primary performance goal that directly improves the lives and conditions of American families -- ensuring a better security in retirement.

Strategies: Many factors contribute to the expansion of pension coverage, such as the structure and health of the economy (e.g., level of employment and economic growth, labor shortage or surplus sectoral shifts in economic activity) and demographics (aging population, increasing numbers of women and minorities). In addition to these external factors, the Department also contributes through aggressive educational strategies, such as the Retirement Savings Education Campaign and Partnerships, targeted public service announcements, promotional cards in tax returns, 800 telephone line, interactive web sites, and videos for small businesses, to name a few. The Department will continue to educate our customers regarding the importance of retirement planning, particularly participation in pension plans, and anticipates continued success in expanding pension coverage.



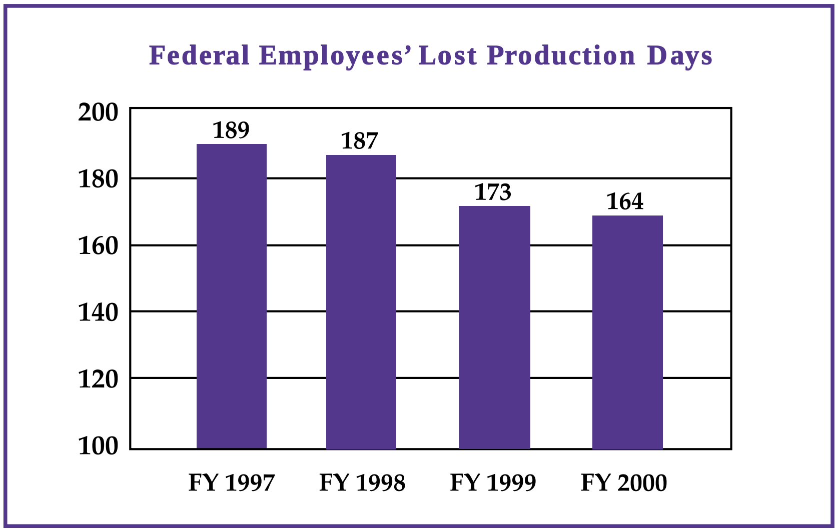
Goal Assessment: In FY 2001, DOL has maintained this goal and again seeks an increase of one percent. The Department continues to pursue education and outreach, in general, and continues targeting those groups who have historically shown a lower rate of pension coverage -- women, minorities, and workers in small businesses. As a result, DOL anticipates continued expansion of pension coverage. ■

[1] Goal 2.2B was dropped from the Department's FY 2000 Annual Performance Plan. An explanation is provided in Appendix 2.

ASSIST EARLY RETURN TO WORK

Goal 2.2D: Return Federal employees to work following an injury as early as appropriate as indicated by a 9 percent reduction from the baseline in the average number of production days lost due to disability. Reduce the number of lost production days to 173 days in Quality Case Management cases only and establish baseline for all cases.

Results: This goal was exceeded. The average number of lost production days for Quality Case Management cases declined to 164 days, a reduction of over 13 percent, and the baseline for all cases was established.



Program Description: DOL administers, through the Employment Standards Administration (ESA), three primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease. One of these programs, the Federal Employees' Compensation Act program, affords income and medical cost protection to civilian employees of the Federal Government and certain other groups.

Analysis of Results: The average lost production days (LPD) measured for Quality Case Management (QCM) cases in FY 2000 was 164 days. Under the QCM program, new injury cases receive early intervention from nurses allowing case management to begin at a point when it can be much more effective. The nurse visits the claimant and coordinates medical care and light duty assignment, working with the attending physician and the employing agency. The FY 2000 results for QCM cases represent a shortening of the average time away from work of 25 days when compared to the FY 1997 baseline year. The reduction also equates to $17.7 million in compensation cost savings in those cases measured in FY 2000. A new LPD baseline representing all cases (not only QCM cases as before) has been established at 68.3 days.

Strategies: In FY 2000, ESA intervened in almost 13,000 QCM cases, assigning nurse case managers to coordinate medical care and return-to-work activities. Intervention by the nurses in the early stages following a work injury, plus ongoing monitoring of return-to-work status by responsible claims examiners, and extensive outreach to employing agencies to encourage bringing injured workers back, are clearly the primary contributing factors in the attainment of this goal.

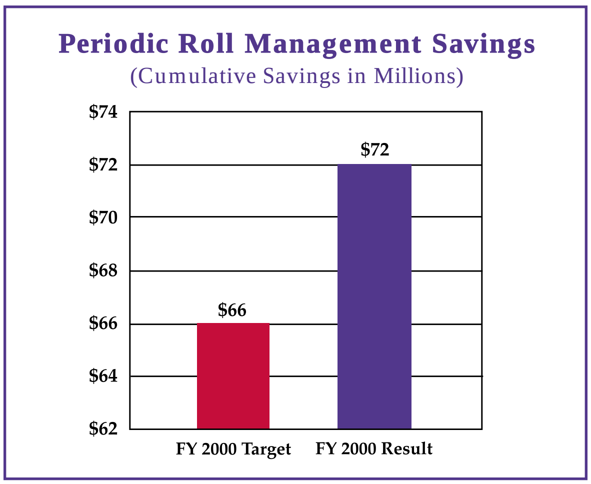
Goal Assessment: The Federal Worker 2000 Presidential Initiative, announced in 1999, has established several goals for Federal agencies for FY 2001, including: reducing injuries; speeding reports of injuries; lowering injury rates in high incidence work sites; and reducing the rate of lost production days. In conjunction with the latter goal, DOL is leading a government-wide effort to reduce LPD for Federal workers. The new goal extends the time loss measurement to all Federal injuries (roughly 170,000 per year), including during the "continuation of pay" period immediately following an injury. The FY 2001 goal is to reduce the national average LPD to 67 days, a 2 percent reduction from the FY 2000 baseline. ■

A nurse injured his lower back while lifting a patient at a Veterans Administration hospital. He had to have leg surgery to relieve his neurological symptoms and was left with a permanent, residual foot drop. DOL's Employment Standards Administration assigned a rehabilitation specialist to help him become as functional as possible even though he could not return to his pre-injury job. Working with his doctor and a therapist, the specialist was able to help the nurse restore his cardiovascular function, recondition his physical capability, and treat his foot drop with orthotics. Four months after his surgery, he returned to work in a nursing clinic, assigned to less physical duties such as counseling, supportive instruction, testing, record keeping, and planning. Now, he is ready to pursue his education with the goal of increasing his value to his new employer.

LONG-TERM DISABILITY CASE REVIEW

Goal 2.2E: Produce $66 million in cumulative first-year savings (FY 1999 -2000) through Periodic Roll Management.

Results: This goal was exceeded. Cumulative first-year savings were $72 million.



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Analysis of Results: Periodic Roll Management (PRM) teams completed over 7,700 reviews in FY 2000; one-half of the reviews resulted in either an adjustment to continuing benefit amounts or a termination of benefits.

Strategies: PRM is aimed at quality management of the long-term disability roll, improving service to disabled beneficiaries, rehabilitating and reemploying the partially disabled, and adjusting benefits to accurately reflect eligibility. PRM has proven highly successful in identifying the potential for return to work and in resolving cases. This strategy has resulted in hundreds of millions of dollars in compensation benefit savings and a reduction in the size of the permanent disability roll of over eight percent since 1992.

Goal Assessment: The success of PRM enables DOL to increase its target by 44 percent in FY 2001 to achieve $95 million in savings. ■

Six Federal employees died in an August 9, 2000 plane crash, leaving six spouses and a total of six dependent children. The next day, the Employment Standards Administration (ESA) had established claim files on each employee. They also immediately dispatched a manager to the Naval Air Station, to which the workers were attached, to meet with base staff and explain what needed to be done in order for the claims to be processed quickly. The manager also attended the first two meetings with families. ESA was constantly in contact with the Air Station to quickly obtain all necessary documentation. This allowed ESA to arrange for checks to be issued on September 15, to pay all the survivors benefits from August 10 to September 10, and to provide continuing payments every 28 days thereafter.

HOLD THE LINE ON MEDICAL COSTS

Goal 2.2F: In the Federal Employees' Compensation Act (FECA) program, save an additional $5 million over FY 1999 compared to amounts charged through full-year implementation of fee schedules for inpatient hospital and pharmacy services; and save $1.5 million compared to amounts charged for physician services through the Correct Coding Initiative (CCI).

Results: Performance significantly exceeded both targets for this goal. The FECA program saved $34.5 million using fee schedules for Inpatient and Pharmacy services, and the Correct Coding Initiative saved an additional $7.6 million.

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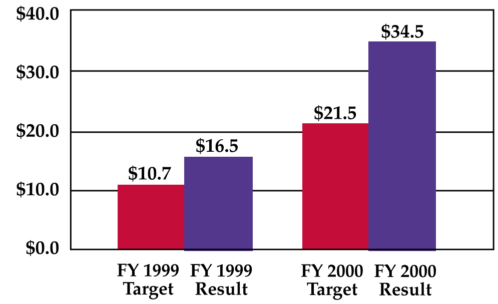
Analysis of Results: Savings from Inpatient Hospital and Pharmacy service fee schedules totaled $34.5 million, exceeding the goal by 61 percent. In large part, these substantial billing adjustments were due to a 37 percent increase in charges for the services which was not foreseeable at the time the performance measures were developed. The CCI review to identify duplicate and other improper billings saved another $7.6 million, or $6.1 million above the annual goal.

Savings from Utilization of Inpatient Hospital and Pharmacy Service Fee Schedules
(In Millions)



Strategies: DOL uses fee schedules to set payment levels for standard categories of billed medical services. A special automated bill review, the CCI, identifies medical providers' duplicate and abusive billing practices before payments are authorized.

Goal Assessment: DOL has revised the long-range medical savings goal published in the Department's Strategic Plan. The new goal sets a target for reducing the overall average cost per case. This measure will more accurately reflect DOL's success in cost containment, and should target staff's efforts more effectively. ■

A city letter carrier injured his knee and back. He returned to light duty within six weeks of surgery on his knee. The goal for this worker was to restore him to his maximum level of functioning and return him to his pre-injury job. Due to a residual low back problem, some accommodations would have to be made by the worker and the post office. ESA's assigned nurse provided close coordination with him, his doctor and the post office which resulted in his returning to full duty within three months of knee surgery. A special letter bag and harness was provided to assist him in carrying mail safely and without stress on his lower back. His route was minimally modified to allow him to safely work full time in his letter carrier job.

ISSUE TIMELY AND ACCURATE DAVIS-BACON WAGE DETERMINATIONS

Goal 2.2G: Each area of the country will be surveyed for all four types of construction at least every three years, with the resulting wage determinations validly reflecting locally prevailing wage/benefits. In FY 2000, implement scanning technology and develop knowledge management technology; and complete analysis of BLS data and decide whether a Davis-Bacon reengineering or reinvention approach will be pursued in FY 2001.

Results: This goal was fully achieved. The Department successfully completed all planned FY 2000 milestones, and completed its analysis of the relative merits and benefits of the "reengineering" approach versus the "reinvention" approach. A recommendation was made in favor of the reengineering approach and the DOL appropriations committees were notified of this by the previous administration's Assistant Secretary for Employment Standards.

Program Description: DOL's Employment Standards Administration (ESA) administers and enforces the Davis-Bacon Act. This Act requires the payment of locally prevailing wages so that Federal contracting practices do not undercut workers' wages in the community and place local contractors and workers at a competitive disadvantage. DOL determines and issues wage rates for covered Federally-funded and assisted construction projects.

Analysis of Results: As part of the Davis-Bacon "reengineering" approach, during FY 2000 development of an electronic version of the Report of Construction Contractors' Wage Rates was completed, and an imaging/scanning program was developed to facilitate electronic data entry using the new form. As part of the Davis-Bacon "reinvention" approach, the Bureau of Labor Statistics (BLS) completed the last of four National Compensation Survey fringe benefit pilot surveys. In addition, BLS provided 1998 construction industry survey data for selected metropolitan areas and a report of its pilot program to test the feasibility of collecting information on the union status of employees.

Strategies: DOL has pursued two possible alternatives for improving the Davis-Bacon wage survey/wage determination program. The first alternative, called the "reengineering" approach, applies new technologies and processes to the existing Davis-Bacon survey program to improve the accuracy, timeliness and participation in that survey effort. The second alternative, labeled the "reinvention" approach, would use existing BLS survey data sources as the primary basis for Davis-Bacon wage determinations.

Goal Assessment: With the achievement of the above steps, both alternatives were developed to the point where an informed decision could be made. DOL examined each alternative based upon five essential evaluation criteria -- feasibility/viability, timeliness, accuracy, completeness, and cost. The Department is currently undertaking the development of the reengineering system. ■

PROVIDE BENEFITS WHEN DEFINED PENSION PLANS TERMINATE

Goal 2.2H: Reduce by 1 year the average timeframe to send final, accurate benefit determinations to participants in defined benefit pension plans taken over by PBGC.

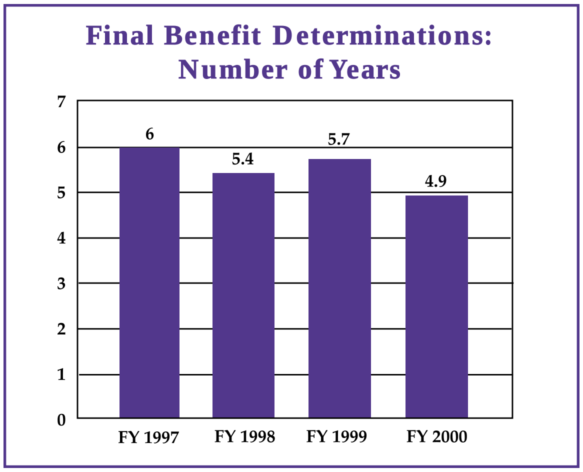
Results: This goal was fully achieved.

Program Description: The Pension Benefit Guaranty Corporation (PBGC) is responsible for providing timely and uninterrupted payment of pension benefits to participants whose defined benefit pension plans terminated, most frequently as a result of the sponsoring employer's bankruptcy. Benefit determinations tell participants in plans for which PBGC has become the trustee what pension benefits they will receive. PBGC pays estimated benefits to all eligible participants retiring prior to the issuance of a benefit determination, thus ensuring that they receive their benefits when due and without interruption.

Analysis of Results: PBGC reduced the average timeframe for issuing final benefit determinations from five to six years in FY 1999 to a four to five year timeframe in FY 2000. The length of time is largely a result of an intricate series of complex actions -- from verifying plan assets and participant data, to completing an actuarial valuation and financial and control group analysis. Sponsor bankruptcies and legal disputes over plan assets also complicate and stretch out the trusteeship process.

Strategies: PBGC has streamlined case processing, tripling the annual production of benefit determinations over the past six years. Focusing these efforts on the oldest cases in the backlog has led to a gradual reduction in the average time for issuing benefit determinations.

Goal Assessment: PBGC expects that a three to four year processing time can be achieved and maintained, and has set this timeframe as the goal for FY 2001.



Program Evaluation: Due to the sizeable increase in PBGC's participant workload in the early 1990's, combined with cases carried over from earlier years, in 1993, PBGC faced significant backlogs in issuing participant benefit determinations. In response, beginning in 1994, the agency reorganized its case processing operations and modernized the data processing systems that support case processing. PBGC's Inspector General issued reports in 1999 and 2000 focusing on the agency's progress in reducing case processing times and raising concerns about the timely issuance of benefit determinations to individual participants. PBGC's management response agree that continued improvement was essential, and noted that further progress was being made in accordance with the agency's goals as reported pursuant to the Government Performance and Results Act. While the agency is now completing work on the last of its backlog, it is processing newly trusteed plans within three years, which is as rapidly as they can be completed under the provisions of current law.

Please refer to Appendix 3 for more details or for information about obtaining a copy of the evaluation. ■